

Message Text

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ACTION AID-31

INFO OCT-01 EA-11 ISO-00 IGA-02 EB-11 DRC-01 RSC-01 /058 W

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R 260915Z APR 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1561

INFO AMEMBASSY VIENTIANE

AMEMBASSY MANILA

AMEMBASSY BANGKOK

C O N F I D E N T I A L TOKYO 5599

MANILA FOR USADB

BANGKOK FOR RED

E.O. 11652: GDS

TAGS: EAID, JA, LA, EFIN

SUBJ: VIENTIANE WATER SUPPLY PROJECT AND JAPANESE AID TO
LAOS

REF: A. STATE 082911

B. TOKYO 4925

1. ON APRIL 26 EMBOFF DISCUSSED WITH KAZUHARA (DEPUTY HEAD) AND HAMANO OF FIRST SOUTHEAST ASIA DIVISION, FON-OFF, VIENTIANE WATER SUPPLY PROJECT. KAZUHARA SAID THAT AS RESULT OF RLG REQUEST GOJ NOW CONSIDERING DESTERILIZATION OF EQUIVALENT OF 1.35 MILLION DOLLARS FROM KIP COUNTERPART OF JAPANESE FEOF CONTRIBUTION. GOJ AWARE OF INFLATIONARY IMPACT KIP DESTERILIZATION, HE SAID, BUT BELIEVES DEFLATIONARY IMPACT RECENT YEN 800 MILLION GRANT AS WELL AS LIKELY ADDITIONAL GRANT AID IN 1974 WILL MORE THAN OFFSET KIP DESTERILIZATION. THUS, GOJ NOT CONSIDERING ADDITIONAL GRANT SPECIFICALLY TO OFFSET KIP DESTERILIZATION.

2. IN RESPONSE EMBOFF'S QUESTION, KAZUHARA SAI DMAIN FACTOR IN DETERMINING DOLLARS 3.6 MILLION FOR THIS YEAR'S
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FEOF CONTRIBUTION NOT PERCENTAGE INCREASE ARGUMENT

EARLIER ADVANCED BY MINISTRY OF FINANCE (NOT FONOFF AS STATED REF A), BUT FEELING THAT FEOF IS SIMPLY NOT MOST APPROPRIATE KIND OF ASSISTANCE. FONOFF FEELS (AS REPORTED REF B PARA C) THAT FEOF -- WHICH PROVIDES BALANCE OF PAYMENTS AND BUDGETARY SUPPORT -- SHOULD BE PHASED OUT AND THAT EMPHASIS IN FUTURE SHOULD BE PLACED ON DEVELOPMENT ASSISTANCE. ACCORDING TO KAZUHARA, ALTHOUGH GOJ AID IN FUTURE WILL BE BASED ON THIS PRINCIPLE, GOJ DECIDED TO INCREASE FEOF CONTRIBUTION THIS YEAR BECAUSE IT REALIZED THAT NOW IS CRITICAL PERIOD FOR LAOS AND BECAUSE GOJ WANTED TO HELP NEW GOVT GET GOOD START, AND THUS HOPEFULLY CONTRIBUTE TO MOVEMENT TOWARDS PEACE THROUGHOUT INDOCHINA.

3. HAMANO NOTED THAT ONE OBVIOUS IMPLICATION OF REQUIREMENT FOR UNANIMITY IN PGNU DECISION-MAKING PROCESS IS THAT SOME AID WILL GO TO PATHET LAO AREAS AND ASKED WHETHER USG OBJECTED TO THIS PROSPECT. EMBOFF REPLIED HE SURE USG EQUALLY AWARE THIS IMPLICATION AND OPINED USG ANXIOUS SEE PGNU SUCCEED. EMBOFF CALLED ATTENTION TO PORTION OF PRESIDENT'S FOREIGN AID MESSAGE REFERRING TO LAOS. KAZUHARA AND HAMANO QUITE PLEASED TO SEE WORDS QTE INTERESTS OF ALL UNQTE. SHOESMITH

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